

Message Text

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ACTION IO-13

INFO OCT-01 EUR-12 ISO-00 IOE-00 OIC-02 AF-08 ARA-06
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FM AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: UNIDO, OCON, AFIN

SUBJECT: FIFTH SESSION OF THE INTERGOVERNMENTAL COMMITTEE ON UNIDO
CONSTITUTION BUDGET

REF: VIENNA 2048

1. SUMMARY: DISCUSSION ON ARTICLE 10 BIS. BY NIGHT OF MARCH 18 HAD NOT PROGRESSED SUBSTANTIALLY BEYOND POINT REPORTED REFTEL. MOST OF LAST THREE DAYS IN WORKING GROUP ON BUDGET AND BUDGET PROCEDURES DEVOTED TO PROCEDURE FOR ESTABLISHMENT AND ADOPTION OF PROGRAM BUDGET (ARTICLE 11) WITH PRELIMINARY EXCHANGE ON SIZE AND COMPOSITION OF PROGRAM B BUDGET COMMITTEE AND INDUSTRIAL DEVELOPMENT BOARD AND ON VOTING REQUIREMENTS FOR DECISIONS ON PROGRAM BUDGET. UNRESOLVED QUESTION OF POWER OF GENERAL CONFERENCE IN RESPECT OF ADOPTION OF PROGRAM BUDGET CONTINUED TO BE STUMBLING BLOCK TO AGREEMENT ON BUDGET-MAKING PROCEDURES. END SUMMARY.

2. INFORMAL WORKING PARTY OF WORKING GROUP ON BUDGET AND BUDGET PROCEDURES HAS HAD ONLY ONE FURTHER BRIEF DISCUSSION
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SINCE REFTEL ON ART. 10 BIS. G-77 ASKED WHAT NATIONAL FIGURES WERE IN MINDS OF GROUP B MEMBERS WITH RESPECT TO VERSION 1 AND 2 CONTAINED IN TEXT OF ANNEX TO ARTICLE 10 BIS. CIRCULATED BY UK & TRANSMITTED REFTEL PARA 5. UK RESPONDED THAT IT HAD IN MIND RESIDUAL OF SECTION 15 IN LIGHT OF SUGGESTED DEFINITION OF REGULAR BUDGET THUS, NOTIONAL FIGURE FOR VERSION 1 WOULD BE \$1.3

MILLION AND 5 PERCENT FOR VERSION 2. G-77 SPOKESMEN ARGUED FOR VERSION 2 ON GROUNDS IT WAS "SIMPLE" AND WOULD AVOID COMPLEX CALCULATIONS ON CHANGES IN PRICES AND EXCHANGE RATES TO GIVE EFFECT TO MAINTENANCE OF VALUE PROVISION.

3. DURING DISCUSSION OF BUDGET-MAKING PROCEDURES (ARTICLE 11) IN WORKING GROUP, VARIOUS GROUP BE MEMBERS SUGGESTED THAT ACCEPTABLE AVENUE OF COMPROMISE OF PREVIOUSLY ENUNCIATED POSITIONS (GROUP B'S DESIRE TO GIVE ALL POWER OVER BUDGET MAKING TO THE PBC AND G-77 INSISTENCE THAT THE CONFERENCE MUST BE SUPREME IN BUDGET MATTERS) WOULD BE TO PLACE LOCUS OF DECISION MAKING ON THE PROGRAM BUDGET IN THE IDB. GROUP D MADE THE SAME PROPOSAL. THIS APPROACH HAS BEEN PARTIALLY ACCEPTED BY G-77 SPOKESMEN. QUESTION AT ISSUE AFTER SEVERAL HOURS OF DISCUSSION IS WHETHER THE CONFERENCE WOULD BE GIVEN SOME RESTRICTED POWERS TO MODIFY PROGRAM BUDGET SUBMITTED TO IT BY IDB OR WHETHER IT WOULD BE CONFINED TO ACCEPTING OR REJECTING THE BOARD'S RECOMMENDATIONS, IN THE LATTERCASE RETURNING THE PROGRAM BUDGET TO THE BOARD FOR RECONSIDERATION AND RE-SUBMISSION A LA IAEA PROCEDURES.

4. TEXT OF ARTICLE 11, WHICH WAS WORKED ON ALL DAY MARCH 18 IN INFORMAL WORKING PARTY IN LIGHT OF DISCUSSION IN WORKGROUP STAND AS FOLLOWS:

QTE ARTICLE 11. 1 THE DIRECTOR GENERAL SHALL PREPARE AND SUBMIT TO THE PBC, AT A TIME SPECIFIED IN THE FINANCIAL REGULATIONS, A DRAFT PROGRAM OF WORK FOR THE FOLLOW-LIMITED OFFICIAL USE

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ING FINANCIAL PERIOD TOGETHER WITH THE CORRESPONDING ESTIMATES FOR THOSE ACTIVITIES TO BE FINANCED FROM THE REGULAR BUDGET. THE DG SHALL, AT THE SAME TIME, SUBMIT PROPOSALS AND ESTIMATES FOR THOSE ACTIVITIES TO BE FINANCED FROM DIRECT VOLUNTARY CONTRIBUTIONS. (NOTE: UNDP-FINANCED PROJECTS WOULD NOT BE INCLUDED UNDER THIS CATEGORY).

2. THE PBC SHALL CONSIDER THE PROPOSALS SUBMITTED TO IT BY THE DG AND SUBMIT ITS PROPOSED PROGRAM OF WORK AND THE CORRESPONDING REGULAR AND OPERATIONAL BUDGET ESTIMATES TO THE BOARD. SUCH PROPOSALS SHALL REQUIRE A TWO-THIRDS MAJORITY (OF THE MEMBERS OF THE COMMITTEE)(PRESENT AND VOTING).

3. THE BOARD SHALL EXAMINE THE PROPOSALS OF THE PBC AND ADOPT THE PROGRAM OF WORK AND CORRESPONDING REGULAR AND OPERATIONAL BUDGETS WITH SUCH MODIFICATIONS AS IT DEEMS NECESSARY, FOR SUBMISSION TO THE CONFERENCE FOR APPROVAL.

SUCH ADOPTION SHALL REQUIRE A TWO-THIRDS MAJORITY (OF THE MEMBERS OF THE BOARD)(PRESENT AND VOTING).

4. (A) THE CONFERENCE SHALL APPROVE THE PROGRAM OF WORK AND THE CORRESPONDING REGULAR AND OPERATIONAL BUDGETS SUBMITTED TO IT BY THE BOARD

(B) (SEE BELOW)

(C) SHOULD THE CONFERENCE NOT APPROVE THE PROGRAM OF WORK AND THE CORRESPONDING REGULAR AND OPERATIONAL BUDGETS SUBMITTED TO IT BY THE BOARD, IT SHALL RETURN THESE TO THE BOARD WITH ITS VIEWS AND RECOMMENDATIONS, FOR RECONSIDERATION BY THE BOARD AND RE-SUBMISSION TO THE CONFERENCE.

(D) ALL THE ABOVE DECISIONS SHALL BE TAKEN BY A TWO-THIRDS MAJORITY (OF THE MEMBERS OF THE CONFERENCE)(PRESENT AND VOTING). UNQTE.

5. THE INFORMAL WORKING PARTY BY THE NIGHT OF MARCH 18 HAD LIMITED OFFICIAL USE

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BEEN UNABLE TO REACH AGREEMENT ON A SUBPARAGRAPH OF PARA 4 (B) OF ARTICLE 11, PRESSED FOR BY THE G-77, WHICH WOULD GIVE THE CONFERENCE POWER IN CERTAIN SPECIFIED CIRCUMSTANCES TO MODIFY THE PROGRAM BUDGET ADOPTED BY THE BOARD. G-77 SPOKESMEN ARGUED THAT UNLESS CONSTITUTION ALLOWED THE CONFERENCE SOME LEEWAY IN DEALING WITH THE PROGRAM BUDGET SUBMITTED BY THE BOARD -- HOWEVER LIMITED AND ILLUSORY SUCH AUTHORITY MIGHT BE -- IT WOULD BE EXTREMELY DIFFICULT, IF NOT IMPOSSIBLE, FOR THE G-77 TO ACCEPT THE PROCEDURE BEING PROPOSED BY GROUPS B & D.

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INFO OCT-01 EUR-12 ISO-00 IOE-00 OIC-02 AF-08 ARA-06

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6. G-77 ORALLY PROPOSED A PROCEDURE WHICH WAS SUBSEQUENTLY PUT IN THE FOLLOWING TEXT: BEGIN TEXT. THE CONFERENCE MAY MAKE SUCH MODIFICATIONS AS IT MAY DEEM NECESSARY IN THE REGULAR BUDGET TO TAKE FULLY INTO ACCOUNT THE FOLLOWING FACTORS WHICH MAY HAVE OCCURRED AFTER THE BOARD HAD EXAMINED AND ADOPTED THE PROGRAM OF WORK AND CORRESPONDING BUDGET: (I) CHANGES IN PRICE LEVELS AND CURRENCY FLUCTUATIONS; (II) OTHER DEVELOPMENTS THAT MAY AFFECT THE IMPLEMENTATION OF THE PROGRAM. END TEXT.

7. ON A PERSONAL BASIS A NUMBER OF GROUP B MEMBERS HAVE ADVANCED THE FOLLOWING COUNTERPROPOSAL FOR SUB-PARAGRAPH (B) IN AN ATTEMPT TO MEET THE G-77 POSITION WITHOUT GIVING THE CONFERENCE ANY REAL POWER TO FIDDLE WITH THE PROGRAM BUDGET ADOPTED BY THE BOARD: BEGIN TEXT. (B) THE CONFERENCE MAY MAKE SUCH MODIFICATIONS AS IT MAY DEEM NECESSARY IN THE PROGRAM OF WORK WITHIN THE AMOUNTS OF THE REGULAR AND OPERATIONAL BUDGETS ADOPTED BY THE BOARD IN ORDER TO TAKE ACCOUNT OF UNFORESEEN DEVELOPMENTS AFFECTING THE IMPLEMENTATION OF THE PROGRAM OF WORK THAT MAY HAVE OCCURRED SINCE ITS ADOPTION BY THE BOARD. END TEXT.

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8. ANOTHER ALTERNATIVE WAS PUT FORWARD BY CHAIRMAN OF THE WORKING GROUP (AMB. FURLONGER - AUSTRALIA) AS FOLLOWS: BEGIN TEXT. THE CONFERENCE MAY MAKE SUCH MODIFICATIONS AS IT MAY DEEM NECESSARY IN THE PROGRAM OF WORK WITHIN THE AMOUNTS OF THE REGULAR AND OPERATIONAL BUDGETS ADOPTED BY THE BOARD, AND MAY INCREASE (OR DECREASE) THE REGULAR BUDGET TO THE EXTENT THAT (MAJOR) CURRENCY (AND PRICE) CHANGES HAVE REDUCED (OR INCREASED) THE REAL VALUE OF THE BUDGETS SINCE THEY WERE ADOPTED BY THE BOARD. END TEXT. (NOTE: BRACKETS INSERTED TO REFLECT OBJECTIONS TO DIFFERENT PARTS OF THIS TEXT BY VARIOUS MEMBERS OF THE INFORMAL WORKING PARTY.)

9. COMMENT: MOST OF GROUP B PREPARED TO GO ALONG WITH FORMULATION IN PARA 7 ABOVE, SINCE MAJOR CONCERN IS TO AVOID CONFERENCE TAMPERING WITH LEVEL OF BUDGET AS IT EMERGES FROM PBC AND THE BOARD AND SINCE PHRASE "UNFORESEEN DEVELOPMENTS AFFECTING THE IMPLEMENTATION OF THE PROGRAM" WOULD LEAVE THE CONFERENCE ONLY SMALL LEEWAY TO RECAST THE PROGRAM OF WORK. UNDER PRESSURE FROM G-77 MANY IN GROUP B

ALSO APPEAR PREPARED TO DROP THIS QUALIFICATION AND AUTHORIZE THE CONFERENCE QTE TO MAKE SUCH MODIFICATIONS AS IT MAY DEEM NECESSARY IN THE PROGRAM OF WORK WITHIN THE AMOUNTS OF THE REGULAR AND OPERATIONAL BUDGETS ADOPTED BY THE BOARD UNQTE ON THE GROUNDS THAT IMPORTANT POINT TO PROTECT IS THE LEVEL OF THE BUDGET AS ADOPTED BY THE BOARD AND THAT AS A PRACTICAL MATTER CONFERENCE WILL BE UNABLE TO DEVOTE MUCH TIME TO RE-ORDERING THE PROGRAM OF WORK IN ANY SUBSTANTIAL FASHION.

10. MOST GROUP B DELS PARTICIPATING IN INFORMAL WORKING GROUP HAVE RESISTED G-77 PROPOSAL THAT THE CONFERENCE BY AUTHORIZED TO AMEND THE BUDGET TO PROVIDE FOR CHANGES IN PRICE LEVELS AND CURRENCY FLUCTUATIONS. THESE HAVE TAKEN THE LINE THAT SEMI OR FULL BUDGETARY PLUS PROVISION FOR BOARD RECONSIDERATION AS WOULD BE PROVIDED FOR UNDER ARTICLE 11 LIMITED OFFICIAL USE

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PARA 4(C) (SEE PARA 4 ABOVE) SHOULD PROPERLY BE THE PROCEDURE FOR ADJUSTING TO MAJOR CHANGES IN CURRENCY RELATIONSHIPS OR PRICE LEVELS. G-77 HAVE ON THE ONE HAND ARGUED NEED FOR SUCH AUTHORITY TO PERMIT BUDGET ADJUSTMENTS SHOULD THERE BE FOR EXAMPLE, FUTURE MAJOR DEVALUATIONS OF THE DOLLAR BETWEEN BOARD ADOPTION OF THE BUDGET AND CONSIDERATION BY THE CONFERENCE, AND ON THE OTHER, THAT THE TWO SITUATIONS ENVISAGED IN THEIR TEXT QUOTED IN PARA 6 ABOVE WOULD IN PRACTICE ONLY RARELY LEAD TO SIGNIFICANT CHANGES IN THE BUDGET OF THE CONFERENCE BUT THAT SOME SUCH "MINIMUM" POWERS WERE NECESSARY IF THE BUDGETARY PROCEDURES WERE TO BE POLITICALLY ACCEPTABLE TO THE G-77.

11. OUR OWN VIEW IS THAT WE MIGHT GO AS FAR AS INDICATED IN PARA 9 ABOVE, I.E., GIVE THE CONFERENCE POWER TO AMEND THE PROGRAM OF WORK BUT NOT CHANGE THE LEVEL OF THE BUDGET, ALTHOUGH WE HAVE STRESSED THE GREAT IMPORTANCE WE ATTACH TO HAVING THE PROGRAM OF WORK EMBODY APPROPRIATE PRIORITIES AND SELECTION OF MEANINGFUL, EFFECTIVE ACTIVITIES IN ORDER TO ASSURE PROPER USE OF RESOURCES. WE FEEL, HOWEVER, THAT TO ALLOW THE CONFERENCE TO MODIFY THE BUDGET FOR PRICE AND CURRENCY CHANGES WOULD BEGIN TO DESTROY THE ESSENTIAL ELEMENTS OF THE COMPROMISE OFFERED BY GROUP B (PARA 2 ABOVE) AND MIGHT OPEN THE DOOR TO ARGUMENTS IN THE CONFERENCE THAT EVEN FULL-BUDGETING FOR THE FOLLOWING BIENNIAL HAD NOT TAKEN SUCH CHANGES "FULLY INTO ACCOUNT". (G-77 TEXT IN PARA 7 ABOVE). IF WE WERE TO AGREE TO GIVING THE CONFERENCE SUCH AUTHORITY, U.S. DEL VIEW IS WE SHOULD INSIST THAT IT BE CONFINED TO SITUATIONS WHERE "MAJOR" CHANGES IN CURRENCY RELATIONSHIPS OR PRICE LEVELS HAVE TAKEN PLACE. AND PREFERABLY TO CONFINED IT TO MAJOR CURRENCY CHANGES.

12. U.S. DEL WOULD APPRECIATE DEPT. VIEWS ON THE ABOVE

ALTERNATIVES ASAP SINCE CONTACT GROUP MAY TAKE UP QUESTIONS
OF BUDGET ON MARCH 22. STIBRAVY

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Message Attributes

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Secure: OPEN
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To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/da97d4b4-c288-dd11-92da-001cc4696bcc
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